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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY
Docket No. MC96-3

SPECIAL SERVICES FEES AND CLASSIFICATIONS, 1996)

NASHUA PHOTO INC. AND MYSTIC COLOR LAB
MOTION TO ENLARGE SCOPE OF PROCEEDING FOR CONSIDERATION OF
CLASSIFICATION MODIFICATION WITH RESPECT TO BUSINESS REPLY MAIL
(July 15, 1996)

Nashua Photo Inc. ("Nashua") and Mystic Color Lab ("Mystic") respectfully file this Motion to obtain the enlargement of these proceedings to consider a specific modification to the Domestic Mail Classification Schedule ("DMCS") with respect to Business Reply Mail ("BRM"), which has been the subjection of discussion between these companies and the Postal Service since 1995.

The pending docket was instituted upon the Postal Service's request for a *recommended decision on proposed changes in provisions of the DMCS and rates that affect selected special services*. This is the third of the Postal Service's series of four significant reclassification cases before the Postal Rate Commission that have been filed or announced. Docket No. MC95-1 related to the reclassification of First-Class, second class, and third class mail. The second case, Docket No. MC96-1, relates to nonprofit mail. This third case deals with special services. The next case is said to deal with parcels and expedited mail.

The special services addressed in this docket — post office boxes, certified mail/return receipts, insurance, registry, postal cards, and special delivery — provide the bulk of revenue derived from special services by the Postal Service. This docket is the obvious vehicle to obtain a change with respect to Business Reply Mail, should one be needed, and these intervenors believe one is needed. Unfortunately, no changes were

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proposed with respect to BRM, despite the existence of an inequity that has become obvious in the BRM system — the inequitable requirement of paying full BRM fees by firms receiving non-automatable prepaid mail in bulk quantities. Clearly, if such a change is warranted with respect to the special service of business reply mail, it should be considered without further delay in this proceeding.

Both Nashua and Mystic are substantial users of the Postal Service's BRM service. Both have BRM permits, and both maintain advance deposit accounts, for which they pay annual accounting fees for advanced deposit accounts, and a permit fee. In addition, both are currently required to pay the fee (currently 10 cents per piece) applicable to holders of active business reply advance deposit accounts whose BRM is not pre-barcoded. The 10-cent per-piece fee is designed to cover the Postal Service cost of handling individual pieces manually and doing the relevant accounting work. That 10 cent per-piece fee, however, is unjustifiable, because both Nashua and Mystic, in conjunction with the Postal Service, have developed systems to handle large volumes of incoming non-automatable mail requiring the Postal Service to avoid manual handlings and to do very little work relative to the business reply nature of the mail. Under these circumstances, a much lower fee, such as the prebarcoded rate (currently 2 cents per piece), should be available to Nashua and Mystic.

In actuality, the DMCS speaks to the subject only indirectly. Classification Schedule SS-2 merely sets forth the BRM description and requirements and does not mention the Business Reply Mail Accounting System ("BRMAS"). BRMAS, of course, merely describes the accounting system which the Postal Service employs for automated BRM under the provisions in the Domestic Mail Manual ("DMM"). Historically, the Commission has

recommended a low per-piece fee (by discounting the regular advance deposit BRM fee) for BRM that allows the Postal Service to save costs by such automated handling and accounting, which has come to be known as the BRMAS rate. Although the BRMAS rate is based upon cost savings to the Postal Service, it is only available for mail that is automatable (in accordance with DMM standards). Accordingly, DMCS Rate Schedule SS-2 provides for (i) advance deposit system BRM fees for mail that is "prebarcoded" (i.e., the automatable BRMAS mail) and (ii) "other" (*i.e.*, all other BRM, regardless of the cost savings to the Postal Service).

Technically, the advance deposit BRM of Nashua and Mystic is classified as "other," because incoming mail is not prebarcoded and automatable. Since Postal Service cost is the foundation for both the BRM fee and for the automation discount, and since the BRM systems for non-automatable mail of Nashua and Mystic result in comparable cost savings to the Postal Service, the issue of automatability should be deemed irrelevant as to them. Nevertheless, the Postal Service has refused to extend a BRMAS-type discount to Nashua and Mystic, possibly on the theory that this would be foreclosed to them under the DMCS and the accompanying Rate Schedule. Thus, in the case of Nashua and Mystic, although the Postal Service can process their BRM at a unit cost that is as low as or lower than the cost of processing BRMAS pieces, a discounted advance deposit rate is unavailable because of an irrelevancy — namely, the automatability requirement.

This clearly unjust situation cries out for rectification, but the Postal Service has thus far been unwilling to correct it, or perhaps believed itself without authority to correct it. One way to correct it would be for the Commission to recommend modification of the

DMCS to permit the Postal Service to extend the discounted rate with respect to non-automatable bulk mail where analogous low-cost alternative handling and accounting methods approved by the Postal Service are employed.

The DMCS change that Nashua and Mystic would propose with respect to BRM is a relatively simple one, whereby the DMCS Classification Schedule SS-2 provisions describing Business Reply Mail would not necessarily be modified at all, and Rate Schedule SS-2 of the DMCS would merely be modified in such a way that a BRMAS-type discount would be extended to comparable low-cost non-automatable mail, and not limited only to mail that is prebarcoded and automatable. Specifically, Rate Schedule SS-2 of the DMCS provides for two rates with respect to advance deposit account BRM: one rate for "prebarcoded," and one rate for "other." Nashua and Mystic propose that a third category be added, for "non-automatable bulk" as defined by the Postal Service (in the DMM), and that a lower BRMAS-type rate be extended to this new category.

Expansion of the pending docket would be sensible, fair, and in accordance with the spirit of the Postal Reorganization Act, which states:

In providing services and in establishing classifications, rates, and fees under this title, the Postal Service shall not, except as specifically authorized in this title, make any undue or unreasonable discrimination among users of the mails, nor shall it grant any undue or unreasonable preferences to such users.
[39 U.S.C. section 403(c).]

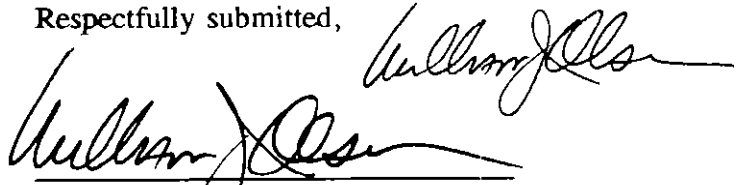
Nashua and Mystic submit that the BRM/BRMAS situation described above cries out for correction now, and no good reason exists not to examine the issue in the context of this proceeding. Jurisdictionally, of course, the Commission has the authority to submit "on its own initiative" a recommended decision on changes in the mail classification schedule. See

39 U.S.C. Section 3623(b). The fact that the Postal Service has not sought reclassification with respect to BRM, therefore, is not determinative of whether the Commission has the power to entertain such a proposal offered by an intervenor in the proceeding. Beyond the technical issue of jurisdiction are the factors set forth in section 3623 of the Act, including "the establishment of a fair and equitable classification system for all mail," section 3623(c)(1) and "the desirability of special classifications from the point of view of both the user and of the Postal Service." Section 3623(c)(5). Based upon that language alone, Nashua and Mystic submit that the expansion of this Docket to consider the merits of their proposal for an extension of discounted BRM fees to low-cost, non-automatable bulk BRM is appropriate.

Although the Postal Service's request does not encompass any reclassification of BRM, Nashua and Mystic will work to develop an evidentiary record on which this modification can be based, and submit testimony in support of this proposal. This is the only reclassification case for special services that the Postal Service has indicated it would file this year, or in the foreseeable future. It would be inequitable to deny these intervenors the opportunity to make their case to the Commission in support of such a change.

For all of the foregoing reasons, Nashua and Mystic move the Commission to expand the scope of this Docket to consider the proposed modification to the DMCS with respect to one additional special service, business reply mail for bulk non-automatable mail.

Respectfully submitted,



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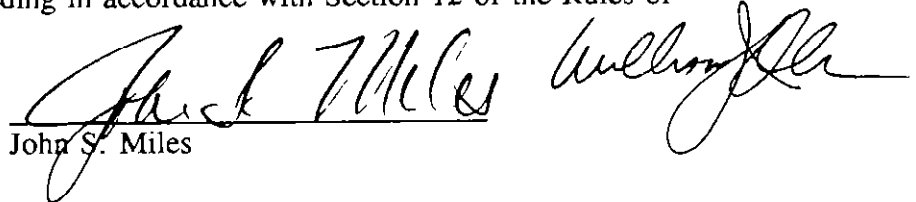
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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with Section 12 of the Rules of Practice.


John S. Miles

July 15, 1996